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ACTION WHA-00

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|      | CEA-01  | CG-00   | CTME-00 | INL-00  | DINT-00 | DODE-00 | DOTE-00 |
|      | SRPP-00 | DS-00   | EB-00   | EXIM-01 | OIGO-00 | E-00    | FAAE-00 |
|      | FBIE-00 | FBO-00  | VC-00   | FRB-00  | H-01    | TEDE-00 | INR-00  |
|      | INSE-00 | ITC-01  | LAB-01  | L-00    | VCE-00  | MMP-00  | M-00    |
|      | AC-01   | NRCE-00 | NSAE-00 | OCS-03  | OES-01  | OMB-01  | OPIC-01 |
|      | PA-00   | PC-01   | PM-00   | PRS-00  | ACE-00  | P-00    | SCT-00  |
|      | SP-00   | IRM-00  | SSO-00  | SS-00   | STR-00  | TRSE-00 | USIE-00 |
|      | USSS-00 | ASDS-01 | EPAE-00 | PMB-00  | DSCC-00 | DRL-02  | G-00    |
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P 021516Z MAY 01  
FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC PRIORITY 1187  
INFO USDOC WASHDC  
DEPT OF ENERGY WASHDC  
AMEMBASSY LIMA  
AMEMBASSY CARACAS  
AMEMBASSY QUITO  
AMEMBASSY LA PAZ  
AMEMBASSY PANAMA  
CIA WASHDC  
DIA WASHDC  
NSC WASHDC  
USCINCSO MIAMI FL

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C O N F I D E N T I A L SECTION 01 OF 04 BOGOTA 003901

STATE FOR WHA/AND, WHA/ESPC, DS/DSS/OSAC, DS/DSS/ITA  
AND DS/OP/WHA  
STATE PASS OPIC FOR DMORENESE  
STATE PASS EXIMBANK FOR AMERICAS DIVISION  
COMMERCE FOR 4331/IEP/OLA/AND/JANGLIN AND FOR  
3134/USFCS/IOI/WH/DLUTTER  
ENERGY FOR GARY WARD AND ERIKA BENSEN

E.O. 12958: DECL: 4/22/06  
TAGS: EPET, ENRG, ECON, PTER, PGOV, ASEC, CO  
SUBJECT: COSTLY LOSSES: REPERCUSSIONS OF PETROLEUM

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UNITED STATES DEPARTMENT OF STATE  
REVIEW AUTHORITY: OSCAR J OLSON  
DATE/CASE ID: 19 MAY 2004 200303455

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SECURITY ISSUES

REF: BOGOTA 3466 AND PREVIOUS

1. (U) CLASSIFIED BY AMB. ANNE PATTERSON FOR REASON 1.5  
(B)

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**SUMMARY**  
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2. (C) THE THREE MONTH SHUTDOWN OF OCCIDENTAL PETROLEUM'S PRODUCTION AND RECENT KIDNAPPING OF 130 CONTRACT EMPLOYEES PROVIDES THE STRONGEST EXAMPLE OF THE INCREASINGLY DIFFICULT SECURITY SITUATION IN COLOMBIA'S OIL SECTOR. THE SHUTDOWN OF PRODUCTION IN PARTICULAR, HAS BEGUN TO AFFECT THE GOC'S BUDGET WITH LOSSES OF USD 3 MILLION A DAY. ALTHOUGH THESE EVENTS HAVE GALVANIZED THE COLOMBIAN PRESIDENCY TO FIND AN

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INTER-GOVERNMENTAL SOLUTION TO THESE PROBLEMS, THERE ARE NO QUICK FIXES. AT THE ROOT OF THE DETERIORATING SECURITY SITUATION IS LAWLESSNESS IN THE COUNTRYSIDE WHERE GUERRILLAS AND PARAMILITARIES FIGHT FOR CONTROL

[REDACTED] END SUMMARY.

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**OXY: THE PRIME EXAMPLE**  
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3. (U) OCCIDENTAL PETROLEUM'S (OXY) MAIN OIL FIELD, LOCATED IN CANO LIMON, ARAUCA DEPARTMENT, HAS BEEN THE BACKBONE OF COLOMBIA'S OIL SELF-SUFFICIENCY SINCE ITS DISCOVERY IN 1983. ALTHOUGH WELL PAST ITS PEAK OF 300KB/D, WITH CURRENT CAPACITY OF 110KB/D, CANO LIMON STILL BRINGS IN OVER USD 2 MILLION A DAY FOR COLOMBIA. SINCE JANUARY 1 HOWEVER, THE PIPELINE FROM CANO LIMON TO COBENAS ON THE COLOMBIAN COAST HAS BEEN HIT 61 TIMES BY ELN AND FARC GUERRILLAS. THESE HITS, 29 IN FEBRUARY ALONE, HAVE ALLOWED OXY TO PUMP FOR ONLY 30 HOURS SINCE FEBRUARY 1. ON MARCH 1, OXY INVOKED THE "FORCE MAJEURE" CLAUSE OF ITS DELIVERY CONTRACTS TO PROTECT ITSELF FROM NON-COMPLETION SUITS. OXY'S PRODUCTION SINCE JANUARY 1 IS NOW DOWN TO 9KB/D AVERAGE. AGGRAVATING THIS SITUATION, ON APRIL 16 OVER 130 LOCAL CONTRACT WORKERS WERE KIDNAPPED BY THE ELN (REFTEL). ALL THE HOSTAGES WERE RELEASED BY APRIL 19.

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THERE IS A HOLE IN MY POCKET!

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4. (SBU) THIS COMPLETE SHUTDOWN OF OXY OPERATIONS IS COSTING THE GOC MONEY. ALTHOUGH OXY ITSELF IS LOSING USD 500,000 PER DAY, THE GOC AND ECOPETROL COMBINED ARE LOSING ALMOST USD 3 MILLION PER DAY. THE LOSS OF THIS MUCH NEEDED FOREIGN EXCHANGE HAS ALREADY HAD AN EFFECT ON THE PESO EXCHANGE RATE WHICH HAS DROPPED NEARLY SEVEN PERCENT SINCE JANUARY 1 (ALTHOUGH SOME OF THIS IS ATTRIBUTABLE TO OTHER FACTORS SUCH AS A LOW COFFEE PRICE AND WEAKER SALES OF NON-TRADITIONAL EXPORTS SUCH AS GARMENTS.) IN 2000, OIL ACCOUNTED FOR 17 PERCENT OF THE GOC'S NATIONAL INCOME AND 7.5 PERCENT OF GDP.

TAXES AND ECOPETROL CONTRIBUTIONS SENT OVER USD 575 MILLION DIRECTLY INTO THE 2000 NATIONAL BUDGET, MONEY WHICH IS COUNTED ON TO MAKE ANNUAL BUDGET CALCULATIONS. SO FAR, THE GOC AND ECOPETROL HAVE LOST ALMOST USD 200 MILLION. THE CONTINUATION OF SUCH LOSSES COULD LEAD TO BUDGET CUTS IN ALL MINISTRIES AND IN DISTRIBUTIONS TO THE DEPARTMENTS. THE LATTER WOULD AGGRAVATE THE FINANCIAL SITUATIONS OF THE 12 DEPARTMENTS ALREADY DECLARING BANKRUPTCY. SHOULD THE PIPELINE REOPEN FOR AN EXTENDED PERIOD, HOWEVER, OXY COULD MAKE UP A CONSIDERABLE AMOUNT OF ITS LOST PRODUCTION AND THE LOST REVENUE TO LOCAL GOVERNMENTS COULD BE RECOVERED.

5. (SBU) PETROLEUM ROYALTIES TO INDIVIDUAL DEPARTMENTS CAME TO OVER USD 1.1 BILLION IN 2000. FOR DEPARTMENTS SUCH AS ARAUCA, THE COMBINATION OF LOSS OF ROYALTIES AND CUTS IN CENTRAL GOVERNMENT CONTRIBUTIONS COULD BE

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| CEA-01  | CG-00   | CTME-00 | INL-00  | DINT-00 | DODE-00 | DOTE-00 |        |
| SRPP-00 | DS-00   | EB-00   | EXIM-01 | OIGO-00 | E-00    | FAAE-00 |        |
| FBIE-00 | FBO-00  | VC-00   | FRB-00  | H-01    | TEDE-00 | INR-00  |        |
| INSE-00 | ITC-01  | LAB-01  | L-00    | VCE-00  | MMP-00  | M-00    |        |
| AC-01   | NRCE-00 | NSAE-00 | OCS-03  | OES-01  | OMB-01  | OPIC-01 |        |
| PA-00   | PC-01   | PM-00   | PRS-00  | ACE-00  | P-00    | SCT-00  |        |

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| SP-00   | IRM-00  | SSO-00  | SS-00  | STR-00  | TRSE-00 | USIE-00 |
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| NFAT-00 | SAS-00  | /019W   |        |         |         |         |

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P 021516Z MAY 01  
FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC PRIORITY 1188  
INFO USDOC WASHDC  
DEPT OF ENERGY WASHDC  
AMEMBASSY LIMA  
AMEMBASSY CARACAS  
AMEMBASSY QUITO  
AMEMBASSY LA PAZ  
AMEMBASSY PANAMA  
CIA WASHDC  
DIA WASHDC  
NSC WASHDC  
USCINCSO MIAMI FL

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C O N F I D E N T I A L SECTION 02 OF 04 BOGOTA 003901

STATE FOR WHA/AND, WHA/ESPC, DS/DSS/OSAC, DS/DSS/ITA  
AND DS/OP/WHA  
STATE PASS OPIC FOR DMORENESE  
STATE PASS EXIMBANK FOR AMERICAS DIVISION  
COMMERCE FOR 4331/IEP/OLA/AND/JANGLIN AND FOR  
3134/USFCS/IOI/WH/DLUTTER  
ENERGY FOR GARY WARD AND ERIKA BENSEN

E.O. 12958: DECL: 4/22/06  
TAGS: EPET, ENRG, ECON, PTER, PGOV, ASEC, CO  
SUBJECT: COSTLY LOSSES: REPERCUSSIONS OF PETROLEUM  
SECURITY ISSUES

DEVASTATING. ARAUCA'S GOVERNOR HAS ALREADY ANNOUNCED  
THAT INSTEAD OF RECEIVING THE USUAL USD 6.5 MILLION A  
MONTH, IN APRIL ARAUCA WILL RECEIVE ONLY USD 2,300. HE  
HAS INFORMED OVER 1,200 TEACHERS THAT THERE WILL BE NO  
SALARY THIS MONTH. ALSO AFFECTING THE LOCAL  
POPULATIONS AROUND CANO LIMON, OXY HAS SUSPENDED SOME  
OF ITS CONTRACTS, CAUSING THE TEMPORARY LAY-OFF OF OVER  
120 CONTRACT WORKERS.

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NOT ENOUGH MONEY TO BE A COWBOY

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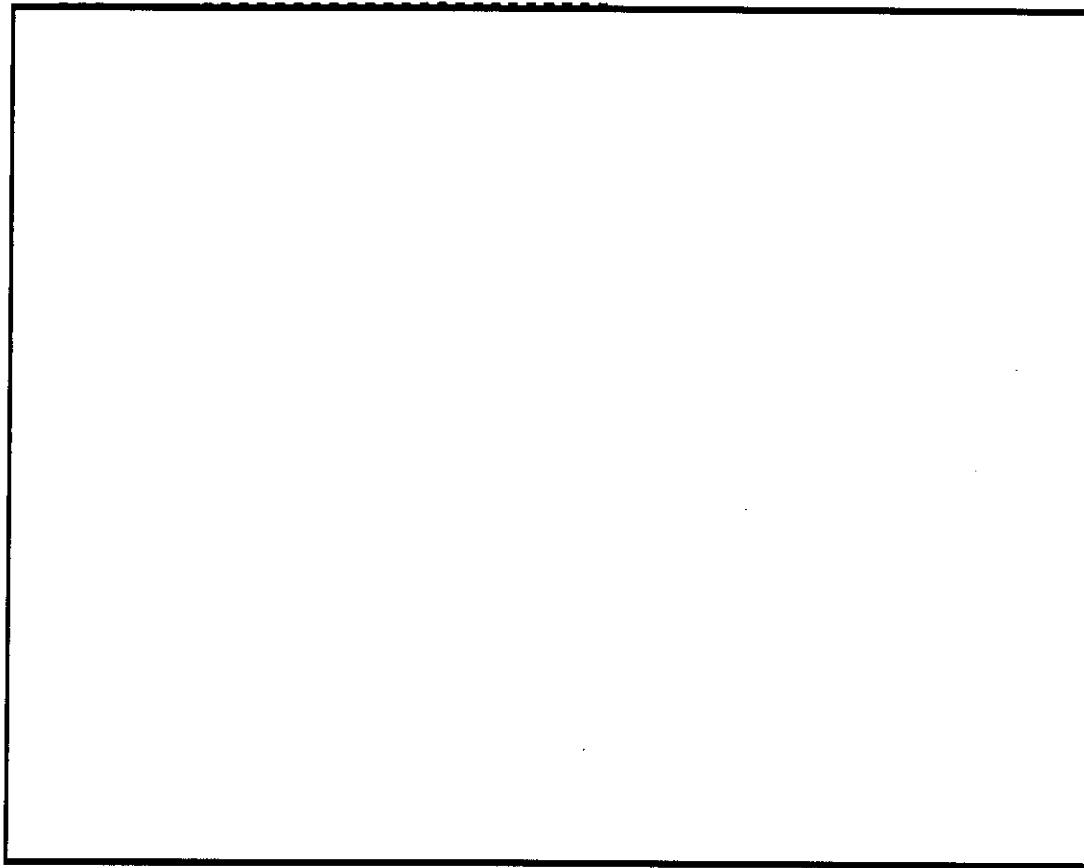
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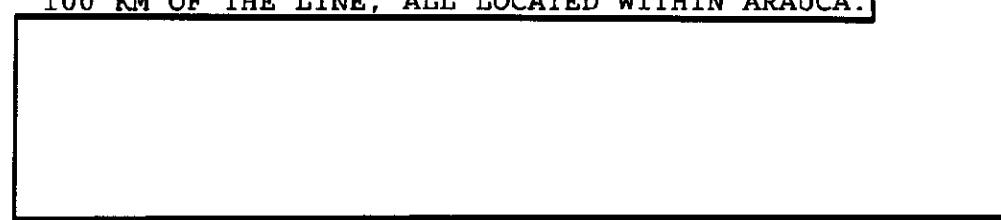
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**THE WILD, WILD EAST**  
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7. (C) THE BEST EXAMPLE OF THE CHALLENGES FACING THE GOC'S ATTEMPTS TO CREATE A SECURE WORKING ENVIRONMENT FOR OIL CORPORATIONS, ARE EVENTS IN ARAUCA, SITE OF OXY'S CANO LIMON FIELD AND THE PIPELINE. IN 2000 THERE WERE 182 HITS ON COLOMBIA'S FOUR MAJOR OIL PIPELINES, 98 OF WHICH WERE ON CANO LIMON AND 76 OF WHICH WERE IN THE SOUTHERN DEPARTMENT OF PUTUMAYO ON THE TRANS-ANDEAN PIPELINE SHARED WITH ECUADOR. SINCE JANUARY 1, CANO

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LIMON ALONE HAS RECEIVED 61 HITS, ALL WITHIN THE FIRST  
100 KM OF THE LINE, ALL LOCATED WITHIN ARAUCA.

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|      | SRPP-00 | DS-00   | EB-00   | EXIM-01 | OIGO-00 | E-00    | FAAE-00 |
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|      | INSE-00 | ITC-01  | LAB-01  | L-00    | VCE-00  | MMP-00  | M-00    |
|      | AC-01   | DCP-01  | NRCE-00 | NSAE-00 | OCS-03  | OES-01  | OMB-01  |
|      | OPIC-01 | PA-00   | PC-01   | PM-00   | PRS-00  | ACE-00  | P-00    |
|      | SCT-00  | SP-00   | IRM-00  | SSO-00  | SS-00   | STR-00  | TRSE-00 |
|      | USIE-00 | USSS-00 | ASDS-01 | EPAE-00 | PMB-00  | DSCC-00 | DRL-02  |
|      | G-00    | NFAT-00 | SAS-00  | /020W   |         |         |         |

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P 021516Z MAY 01  
FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC PRIORITY 1189  
INFO USDOC WASHDC  
DEPT OF ENERGY WASHDC

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AMEMBASSY LIMA  
AMEMBASSY CARACAS  
AMEMBASSY QUITO  
AMEMBASSY LA PAZ  
AMEMBASSY PANAMA  
CIA WASHDC  
DIA WASHDC  
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|      | NFAT-00 | SAS-00  | /019W   |         |         |         |         |

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P 021516Z MAY 01

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 1190

INFO USDOC WASHDC

DEPT OF ENERGY WASHDC

AMEMBASSY LIMA

AMEMBASSY CARACAS

AMEMBASSY QUITO

AMEMBASSY LA PAZ

AMEMBASSY PANAMA

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